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August 6, 2004

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RESPOND TO LINCOLN OFFICE

Honorable Timothy J. Mahoney
Chief United State Bankruptcy Judge
United States Bankruptcy Court
For the District of Nebraska
111 S. 18th Plaza, Suite 1125
Omaha, Nebraska 68102

Re: Furnas County Farms, et al., Debtors, Chapter 11, Case No. 04-81489

Dear Judge Mahoney:

Enclosed you will find an order granting limited approval of the Motion for Approval of Payments to Continuing Trade Vendors (the "Motion") which is found at filing #130. Objections to the Motion were due no later than July 30, 2004.

On July 30, 2004, Hubbard Feeds, Inc. filed a Limited Objection to the Motion to Approve Payments to Continuing Trade Vendors. (Fil. #140.) On August 3, 2004, a Motion for Leave to File an Objection was filed by Vering's Feed Services, Inc. (Fil. #141.)

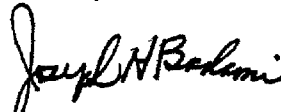
There have been ongoing negotiations to settle the objection of Hubbard Feeds, Inc. This objection has been settled and a stipulation will be filed by the parties. Debtors' counsel has contacted attorney for Vering Feed Services, Inc. attempting to resolve their motion, but the motion has not been resolved.

The sale of the assets of the Debtors is scheduled to close in the very near future and upon closing of the sale, the continuing trade vendors were to be paid by the Debtors. In order to continue to move forward, we have prepared and are submitting the enclosed order which will pay the continuing trade vendors that have not objected or been resolved and will leave the motion for leave to object

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pending filed by Vering's Feed Services, Inc. This would appear to be fair to the continuing trade vendors who have not objected to the motion.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph H. Badami". The signature is fluid and cursive, with the first name "Joseph" and last name "Badami" clearly legible.

Joseph H. Badami

JHB|vs
Enclosure

cc: Trenten Bausch, Attorney for Hubbard Feeds, Inc.
David Mitchell, Attorney for Vering's Feed Service, Inc.